

Middle Class Economics: Supporting Older Americans

The President's 2016 Budget is designed to bring middle class economics into the 21st Century. This Budget shows what we can do if we invest in America's future and commit to an economy that rewards hard work, generates rising incomes, and allows everyone to share in the prosperity of a growing America. It lays out a strategy to strengthen our middle class and help America's hard-working families get ahead in a time of relentless economic and technological change. And it makes the critical investments needed to accelerate and sustain economic growth in the long run, including in research, education, training, and infrastructure.

These proposals will help working families feel more secure with paychecks that go further, help American workers upgrade their skills so they can compete for higher-paying jobs, and help create the conditions for our businesses to keep generating good new jobs for our workers to fill, while also fulfilling our most basic responsibility to keep Americans safe. We will make these investments, and end the harmful spending cuts known as sequestration, by cutting inefficient spending and reforming our broken tax code to make sure everyone pays their fair share. We can do all this while also putting our Nation on a more sustainable fiscal path. The Budget achieves about \$1.8 trillion in deficit reduction, primarily from reforms to health programs, our tax code, and immigration.

The Budget takes a number of steps to support and create opportunity for older Americans, including: protecting Social Security and Medicare for future generations; expanding the earned income tax credit for older workers; protecting worker pensions; and providing housing for the elderly.

White House Conference on Aging. This year marks the 50th anniversary of Medicare, Medicaid, and the Older Americans Act, as well as the 80th anniversary of Social Security. In 2015, the Administration will host the sixth White House Conference on Aging to recognize the importance of these and other key programs for older Americans, as well as to look ahead on how to improve and advance the quality of life for older Americans in the next decade. The Budget makes significant investments that support these priority goals, specifically in the areas of long-term services and supports, retirement security, healthy aging, and reducing elder abuse and neglect.

Strengthening Medicare by Increasing Value, Improving Access, and Improving Long-Term Sustainability. The Medicare proposals in the Budget would extend the solvency of the Hospital Insurance trust fund by approximately five years. The Budget proposes a robust set of initiatives to strengthen Medicare by more closely aligning payments with the costs of providing care, encouraging health care providers to deliver better care and better outcomes for their patients, and improving access to care for beneficiaries. Specifically, this includes investments to reform Medicare physician payments, as well as a proposal to improve access and care coordination for beneficiaries with behavioral health needs by eliminating Medicare's 190-day lifetime limit on inpatient services delivered in specialized psychiatric hospitals. In addition, the Budget includes proposals that would build a stronger foundation for Medicare's future by expanding value-based purchasing, strengthening quality incentives and reducing the risk of prescription drug abuse in Part D.

Lower Drug Costs for Medicare Beneficiaries. Medicare beneficiaries are facing higher cost brand drugs. To provide relief from these increased costs, the Budget proposes to close the Medicare Part D donut hole for brand drugs by 2017, rather than 2020, by increasing discounts from the pharmaceutical

industry. This proposal builds on the Affordable Care Act's phased closure of the donut hole that has saved over 8.2 million seniors \$11.5 billion since enactment of the law. The Budget also provides the Secretary new authority to negotiate with manufacturers on prices for high cost drugs and biologics covered under the Part D program. This proposal is just one of a range of potential options, and the Administration looks forward to working with Congress to address growing drug costs. While these drugs often represent important medical breakthroughs, the Federal government has a responsibility to ensure beneficiary access and protect the long-term sustainability of this important benefit for generations to come.

Reforming Medicare Physician Payments to Encourage High-Quality, Efficient Care. The Budget accelerates physician participation in high-quality and efficient health care delivery systems by repealing the Medicare Sustainable Growth Rate (SGR) formula and reforming Medicare physician payments in a manner consistent with the reforms included in recent bipartisan, bicameral legislation. The Budget promotes physician participation in alternative payment models that meet cost and quality goals, and streamlines value-based incentives for physicians who do not participate in alternative payment models. Additionally, the Budget maintains the Administration's longstanding support for fiscally responsible reform.

Detecting and Preventing Elder Abuse. To support evidence-based interventions to reduce elder abuse, neglect and financial exploitation, the Budget includes \$25 million in discretionary resources for Elder Justice Act programs authorized under the ACA. These resources will support standards and infrastructure to improve detection and reporting of elder abuse; grants to States to pilot a new reporting system; and funding to support a coordinated Federal research portfolio to better understand and prevent the abuse and exploitation of older Americans. The Budget also includes \$4.25 million for the Enhanced Training and Services to End Violence Against and Abuse of Women in Later Life Program (Abuse in Later Life Program). This Department of Justice (DOJ) Office on Violence Against Women (OVW) program funds projects that create multidisciplinary partnerships with law enforcement agencies, prosecutors' offices, victim services providers, and organizations that assist older individuals and that provide a comprehensive approach to addressing elder abuse.

Helping Older Americans Maintain Their Health and Independence. To ensure older individuals and people with disabilities receive services in the most appropriate setting, the Budget expands access to Medicaid home and community-based long-term care services and supports. The Budget extends and improves the Money Follows the Person Rebalancing demonstration, which helps States provide opportunities for older Americans and people with disabilities to transition back to the community from institutions. The Budget also gives States the option to expand eligibility for the Community First Choice and 1915(i) home and community-based State plan options. Additionally, the Budget establishes a \$4 billion pilot for up to five States to test a comprehensive long-term care State plan option that would allow States to provide long-term care services and supports across the continuum of care. The Budget also includes \$20 million in discretionary resources for the Aging and Disability Resource Centers (ADRCs) program, which make it easier for Americans nation-wide to learn about and access their health and long-term services and support options. ADRCs support State efforts to create consumer-friendly entry points into long-term care at the community level.

Protecting Social Security for Future Generations. The President believes that Social Security is indispensable to workers, retirees, survivors, and people with disabilities and that it is one of the most important and successful programs ever established in the United States. Although current forecasts indicate that Social Security can pay full benefits until 2033, the Administration is committed to

making sure that the program is solvent and viable for the American people, now and in the future, and the President has laid out key principles to achieve this objective. Any reforms should strengthen retirement security for the most vulnerable, including low-income seniors, and should maintain robust disability and survivors' benefits that protect workers and their families after they have paid into the system. The Administration will oppose any measures that privatize or weaken the Social Security system and will not accept an approach that slashes benefits for future generations or reduces basic benefits for current beneficiaries.

To address reserve depletion of the Social Security Disability Insurance (DI) Trust Fund, the Budget proposes to reallocate existing payroll tax collections between the Old-Age and Survivors Insurance (OASI) and DI trust funds while a longer term solution to overall Social Security solvency is developed with the Congress. At various points over the course of Social Security's history, Congress has passed reallocation legislation as the need arose for reallocating revenue from DI to OASI, and vice versa. This proposed reallocation will have no effect on the overall health of the OASI and DI trust funds on a combined basis and is critical to ensuring that workers who have paid into the Social Security system and become disabled get the benefits they need.

Helping All Workers Save for Retirement. As many as 78 million working Americans - about half the workforce - don't have a retirement savings plan at work. Fewer than 10 percent of those without plans at work save in a retirement account on their own. Social Security is and must remain a rock-solid, guaranteed progressive benefit that every American can rely on, but too many Americans reach their golden years without enough to supplement their Social Security and enjoy a secure retirement after a lifetime of hard work. Our Nation needs to do more to help families save. The Budget includes the following proposals that would make saving easier for millions of Americans currently without employer-based retirement plans:

- **Automatically Enroll Americans without Access to a Workplace Retirement Plan in an IRA.** Under the proposal, every employer with more than 10 employees that does not currently offer a retirement plan would be required to automatically enroll their workers in an IRA. Auto-IRAs would let workers opt out of saving if they choose but would also let them start saving without sorting through a host of complex options. Auto-IRA proposals have been endorsed by independent scholars across the ideological spectrum, including those affiliated with AARP, the Brookings Institution and the Heritage Foundation.
- **Provide Tax Cuts for Auto-IRA Adoption, and for Businesses that Choose to Offer More Generous Employer Plans or Switch to Auto-Enrollment.** To minimize the burden on small businesses, the President's auto-IRA proposal would provide any employer with 100 or fewer employees who offers auto-IRA a \$3,000 tax credit. The President also proposes to triple the existing "start up" credit, so small employers who newly offer a retirement plan would receive a tax credit of \$4,500 – more than enough to offset administrative expenses. And because auto-enrollment is the most effective way to ensure workers with access to a plan participate, small employers who already offer a plan and add auto-enrollment would get an additional tax credit of \$1,500.
- **Expand Retirement Savings Options for Long-Term, Part-Time Workers.** Under current law, just 37 percent of part-time workers have access to a retirement plan, as compared to 74 percent of full-time private workers, in part because employers are permitted to exclude part-time workers from a retirement plan they otherwise provide. The Budget would ensure that

employees who have worked for an employer at least 500 hours per year for at least three years are eligible to participate in the employer's existing plan. Employers would not be required to offer matching contributions. This proposal would provide approximately one million individuals with access to retirement plan coverage.

- **Encourage State Retirement Savings Initiatives.** A number of States have been exploring options for creating automatic retirement accounts for workers in the private sector who do not otherwise have access to a workplace retirement plan. However, concerns about potential conflict with the Federal law that governs employee benefit plans has slowed those efforts. To better support State efforts, the Budget sets aside \$6.5 million at the Department of Labor, along with waiver authority, to allow a handful of States to pilot and evaluate State-based 401(k)-type programs or automatic enrollment IRAs.
- **Expand Penalty-free Withdrawals so the Long-term Unemployed Can Draw upon Their Savings, Not Go Further into Debt.** Current law allows people who have been unemployed for 3 months to use money from their IRAs penalty-free to pay for health insurance, but not for other expenses. The President proposes to expand the exception to allow long-term unemployed individuals, those who have been unemployed for more than 6 months, to withdraw up to \$50,000 per year for two years from any tax-preferred retirement account for any use.

The above proposals would give 30 million more workers access to a workplace savings opportunity and build on the President's actions over the past year to make retirement saving easier by creating the simple, risk-free, and low-cost "myRA" starter savings vehicle.

Protecting Worker Pensions. The Pension Benefit Guaranty Corporation (PBGC) acts as a backstop to protect pension payments for workers whose companies have failed. PBGC receives no taxpayer funds and its premiums are currently much lower than what a private financial institution would charge for insuring the same risk. Despite the enactment last year of reforms in its multiemployer program, PBGC has a substantial deficit, with liabilities far exceeding its assets, and is projected to be insolvent within a decade. The Budget proposes to give the PBGC Board the authority to adjust premiums and directs PBGC to take into account the risks that different sponsors pose to their retirees and to PBGC. This reform will both encourage companies to fully fund their pension benefits and ensure that the PBGC's single- and multi-employer pension insurance programs remain financially sound. The \$19 billion in additional revenue would be split between the two programs in accordance with the size of their projected deficits.

Expanding the EITC for Older Workers. The EITC is among the Nation's most effective tools for reducing poverty and promoting employment. But because the EITC available to workers without children and non-custodial parents is small, they miss out on the anti-poverty and employment effects of the EITC. The Budget would double the "childless worker" EITC and make the credit available to workers with earnings up to about 150 percent of the poverty line. This would help many older workers, including those who had children but those children are now adults. The proposal would also harmonize the maximum age at which older workers are eligible for the EITC for childless adults with the Social Security full retirement age, which is increasing in stages over the coming years and will reach 67 in 2022. The proposal would directly reduce poverty and hardship for millions of low-income older workers struggling to make ends meet.

Expanding National Service Opportunities to Harness the Experience of Seniors. Every day older Americans are making a positive impact in their communities, using the skills they have developed over a lifetime. The Budget expands opportunities for seniors to serve their communities through the Corporation for National and Community Service. The Budget maintains funding for Senior Corps, whose volunteers engage in activities like mentoring at-risk youth and helping other seniors with daily tasks so that they can stay in their own homes rather than entering costly congregate care. The Budget provides an opportunity for successful Senior Corps programs to grow through AmeriCorps which is providing over 4,000 more positions for seniors.

Providing Housing for the Elderly. Providing supportive housing for very low-income elderly households, including frail elderly, allows seniors to age in a stable environment and helps them access human services. The Budget includes \$455 million for the HUD Housing for the Elderly program (known as "Section 202"). These funds will continue all current assistance. Also included in this amount is \$10 million to expand use of authorities enacted in 2014 to demonstrate a model of new housing integrated with supportive services, including enhanced partnerships with State agencies, to maintain and enhance resident health while avoiding institutional care.

Supporting Family Caregivers. The Budget provides \$15 million for a new Family Support Initiative focused on ensuring the optimal deployment of public and private resources at the State and community level to assist family members supporting older adults and/or people with disabilities across the lifespan. In addition, the Budget includes nearly \$50 million in new resources for existing aging programs that provide critical help and supports to older Americans and their caregivers, such as respite and transportation assistance.

Nutrition Assistance for Older Americans. The Budget provides \$875 million for Nutrition Services programs, a \$60 million increase over the 2015 enacted level, allowing States to provide 208 million meals to over 2 million older Americans nation-wide, helping to halt the decline in service levels for the first time since 2010. The increase will also allow for new, evidence-based innovations to help ensure that funding for Nutrition Services programs is spent as efficiently as possible to maximize the impact of these funds.

Improving SNAP Access for Elderly Individuals. The Budget includes a proposal to allow states to streamline application and recertification processes to improve SNAP access for the elderly.